

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

ST. JOE-SPENCERVILLE REGIONAL SEWER DISTRICT

DEKALB COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

05/09/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary-Treasurer	James Dwyer	01-01-19 to 12-31-24
Clerk	Robyn McCann	01-01-19 to 12-31-24
President of the Sewer District Board	Jerry Markle (Vacant) Jack Chapman (Vacant) Loren Johnson	01-01-19 to 06-24-21 06-25-21 to 07-27-21 07-28-21 to 12-21-22 12-22-22 to 01-30-23 01-31-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ST. JOE-SPENCERVILLE REGIONAL
SEWER DISTRICT, DEKALB COUNTY, INDIANA

This report is supplemental to the audit report of the St. Joe-Spencerville Regional Sewer District (District), for the period from January 1, 2019 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the District. It should be read in conjunction with the Financial Statements Audit Report of the District, which provides our opinions on the District's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

April 30, 2024

ST. JOE-SPENCERVILLE REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The District had not designed and implemented internal controls over the AFR information entered into Gateway. Due to the lack of internal controls, material misstatements went undetected.

During 2020, the District received bank loan proceeds totaling \$100,000, and then made an equal amount of construction-related payments with the proceeds. These transactions were netted together, resulting in a \$100,000 understatement of both receipts and disbursements in the Wastewater Operation and Maintenance Fund.

Adjustments were proposed, accepted by the District, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report for the District.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

ST. JOE-SPENCERVILLE REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Condition and Context

There was a deficiency in the internal control system of the District related to financial transactions and reporting.

Receipts

The District had not designed and implemented an internal control system that separated incompatible activities related to receipts to ensure they were recorded timely and accurately to the general ledger. Throughout the audit period, the Clerk exclusively prepared and mailed customer bills, posted customer collections to the general ledger, and made deposits at the bank.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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CAPITAL ASSETS

Condition and Context

The District did have a complete detailed listing of capital assets throughout the audit period; however, the listing contained the following errors:

- Capital asset identifying information, including lot numbers, or serial numbers were not documented.
- An estimated life of each capital asset was not documented.
- The location of each listed capital asset was not documented.
- Two capital assets were listed under more than one classification.

ST. JOE-SPENCERVILLE REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

In addition, the District did not provide documentation to support a complete physical inventory of capital assets was taken every two years.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

SOURCES AND USES OF FUNDS

Condition and Context

The District had not designed and implemented an internal control system that separated incompatible activities related to transfers. Due to the lack of internal controls, 60 transfers, totaling \$479,597, were not approved by the governing body of the District.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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ST. JOE-SPENCERVILLE REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

SALARY ORDINANCE

Condition and Context

The District Board did not adopt a salary ordinance for any year during the audit period that included all compensation and benefits paid to employees. As a result, a salary ordinance could not be uploaded on the Indiana Gateway for Government Units financial reporting system for the 2019, 2020, 2021, 2022, and 2023 years, as required.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . . (Amended State Examiner Directive 2018-1, updated November 9, 2020, and effective with uploads due February 15, 2021)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ST. JOE-SPENCERVILLE REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2024, with Robyn McCann, Clerk; Vicky Riley, Deputy Clerk; and James Dwyer, Secretary-Treasurer.